



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 331** SLS 09RS 766
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 26, 2009	8:13 AM	Author: QUINN
Dept./Agy.: Insurance		
Subject: Premium tax credit for certain investments in Louisiana		Analyst: Travis McIlwain

TAX/TAXATIONRE INCREASE GF RV See NotePage 1 of 1

Provides for reductions in the license tax paid by insurers for investment in certain qualifying Louisiana investments. (8/15/09)

Present law provides for an insurance premium tax credit for certain assets and investments that are made in Louisiana, which is determined as of investments known on December 31 of each year.

Proposed law retains present law, but requires the Louisiana investment premium tax credit will be based upon the average of the percentage of qualifying Louisiana Securities held at the end of each fiscal quarter for the fiscal year. Proposed law also provides that banks, associations or holding companies be domiciled in the state.

Effective January 1, 2010.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure as the Department of Insurance (DOI) has indicated any anticipated expenditures will likely be absorbed within the department’s existing operating budget. However, the DOI has indicated that this bill will presumably increase the time spent on insurers examination due to having to test more data across quarterly period as opposed to one day December 31. The DOI projects the tax credit calculation in the determination of the qualifying Louisiana assets could be more difficult as a result of this measure.

REVENUE EXPLANATION

This bill could likely increase state general fund revenues by an indeterminable amount by mandating that the Louisiana investment be based upon the end of each fiscal quarter as opposed to a single day (December 31 of each year), which could reduce the amount of Louisiana investment premium tax credit taken annually by an insurer. The DOI does not currently maintain data reflecting the length of time qualifying investments are actually held in Louisiana banks, and the impact to the state tax revenues is indeterminable. However, if insurers do not meet the investment tax credit requirements within this bill, they will lose the tax credit and the state general fund revenues will increase.

To the extent that current insurers have Louisiana investments that are held in Louisiana at the end of each fiscal quarter, then this bill will not have an impact. However, if insurers move their investments into Louisiana for reporting at the end of each fiscal quarter, the amount of credit taken will decrease (pro-rated to time held in the eligible investment), which will result in an increase in state premium tax collections.

The amount of Louisiana investment premium tax credit taken in 2008 was approximately \$119 million and the DOI anticipates that many insurers that qualify for this tax credit will manage their investments to retain as much credit benefit as possible. However, for illustration purposes, if 5% of insurers do not meet the new requirements, the amount of tax credit not taken would be approximately \$6.0 million, which would be reflected as an increase in state general fund tax revenue. If 20% of insurers do not meet the new requirements, the amount of tax credit not taken / premium tax increase is approximately \$23.8 million.

NOTE: The DOI assumes that enough insurers will change enough of their holdings of assets in response to the requirements of this bill that the effect of this bill on premium tax collections would be less than \$500,000 per year. However, the DOI does not know the current pattern of asset holdings, except to know that as of December 31 of each year sufficient assets are held to claim the existing tax credit amount. It may be that only a small number of insurers have to change a small amount of asset holdings to achieve nearly the same amount of tax credit under this bill as is achieved under current law. The \$500,000 threshold, however, is very low (representing only 0.16% of FY08 premium tax collections), and it seems possible that premium tax collections could increase more than that as a result of this bill.

Senate

☐ 13.5.1 >= \$500,000 Annual Fiscal Cost

☒ 13.5.2 >= \$500,000 Annual Tax or Fee Change

Dual Referral Rules

House

☐ 6.8(F) >= \$500,000 Annual Fiscal Cost

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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